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Policy Brief

Investment Facilitation for Development Agreement (IFDA): Significance and Opportunities for Pakistan

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Executive Summary

The Investment Facilitation for Development Agreement (IFDA) holds significant potential for enhancing Pakistan's investment climate and attracting greater Foreign Direct Investment (FDI). This agreement, encompassing nearly 130 WTO members, seeks to simplify administrative procedures, strengthen anti-corruption measures, and promote responsible business conduct, making Pakistan a more attractive destination for foreign direct investment (FDI). This paper explores Pakistan's current export diversification, the role of the IFDA, and the country's broader economic implications. The IFDA presents substantial opportunities for Pakistan to enhance its investment climate and attract more FDI, driving economic growth and development. The country must manage the implementation challenges carefully and ensure that the benefits are widely distributed to maximise the IFDA's positive impact. Pakistan can leverage the IFDA to achieve significant economic progress and contribute to its long-term sustainable development goals by focusing on regulatory reforms, capacity building, and inclusive growth strategies.

Introduction

Comparing diversifying Pakistan's export potential shows that expanding the range of exported products could be rather attractive in a field where exports and Foreign Investment in Pakistan, as well as its major imports, are highly concentrated The textile industry alone has been contributing to the overall exports of Pakistan and has been dominant for years. As a country widely known of its quality produce of cotton and textiles, Pakistan continues to bring the needs of its varied markets. Besides, Pakistan is also among the leading exporters of crops including rice, fruits and vegetables[1].

IFDA is signed by almost 130 WTO Members and focuses on enhancing the investors' environment, thus facilitating global business. To this extent, its main goal is the improvement of the role of developing and least developed countries in global investment processes as a means of sustainable economic development. IFDA also enhances the WTO and the rules-based multilateral trading system, showing that compliance with the rules of trade fosters variations in the group of developing members for the achievement of UN 030 Sustainable Development Goals[2].

Since its launch at MC11 in November 2017, the IFD initiative has been open and clear to everyone. It started with 70 members of the WTO it now boasts of having nearly 130 participants making it the largest of its kind in WTO. The IFDA concerns collaboration, improving transparency, increasing clarity of certain procedures, and encouraging the adoption of good practices at the administrative level. Its provisions do not include trade, market access, investment, protection or investor-state dispute resolution. It encouraged domestic business and corporate governance reforms and improved anti-corruption measures in the business environment[3].
all WTO members equally benefit from the IFDA due to it simplicity and openness of its procedures which are not discriminately imposed. The last version of the IFDA text was disclosed on February 25, 2024. Members are actively negotiating to Include the IFDA into WTO legal order under the plurilateral member ship. A needs assessment

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[1] Salman, A & Ali, B, 2023. Diversifying Pakistan's Exports: Tapping into Untapped Markets. Available at: https://ipripak.org/wp-content/uploads/2024/01/Trade_Paper.pdf

[2] Investment Facilitation for Development Agreement, 2024. Information on Investment Facilitation for Development – IFD (IFD toolkit). Available at https://www.wto.org/english/tratop_e/invfac_public_e/ifd_toolkit_e.pdf

[3] World Trade Organisation, 2024. Investment Facilitation for Development Agreement. Available at https://www.wto.org/english/tratop_e/invfac_public_e/factsheet_ifd.pdf

is being conducted for the IFDA so that developing and LDC Members can successfully start and utilize this instrument. The matter will be incorporated in Annex 4 of the WTO Agreement through the multilateral decision by consensus while restating that it will not result in the reduction of rights and obligations of the Parties under the WTO Agreement[4].

The IFDA aims to facilitate FDI flows by focusing on technical measures. Its scope does not encompass matters like market access, dispute settlement, investment protection, subsidies, etc. It is based on the following principles

i. **Transparency (Section II)**: Members must publish information about investing in their territory, including investor standards. Single online information portals are encouraged, and key information must be notified to the WTO. These provisions reduce uncertainty and risk for investors by clarifying the regulatory environment.
ii. **Administrative Procedures (Section III)**: Authorizations must be objective, transparent, and impartial, with reasonable fees. The use of ICT is encouraged. These measures simplify procedures, reduce transaction costs, and encourage investment.
iii. **Regulatory Coherence and Cross-Border Cooperation (Section IV)**: Members are encouraged to consult on major new regulations and cooperate across borders. National focal points will improve investors' access to necessary information.
iv. **Special and Differential Treatment (S&DT) (Section V)**: Developing and LDC Members have implementation flexibilities tailored to their capacity. They can delay implementing provisions with the support of technical assistance and capacity building, ensuring the Agreement supports development.
v. **Sustainable Investment (Section VI)**: The Agreement includes measures on Responsible Business Conduct and anti-corruption to promote better, sustainable investment.

[4] World Trade Organisation, 2024. Investment facilitation for development. Available at https://www.wto.org/english/tratop_e/invfac_public_e/invfac_e.htm#:~:text=Originally%20launched%20in%20spring%202017,of%20the%20economy%20to%20invest%2C

Pakistan Economic growth Benchmark

Table 1: Comparative Impact of BAU, SDG 8, and Degrowth

Factors	BAU	SDG (8)	Degrowth
Economic Growth	25	38.09	9.02
Social Welfare	-26.54	-38.09	25
Environmental	-48.35	-32.48	27
All values are in percentage form			

Source: Salman, A., Choudhary, S.A. and Ali, B., 2023[5]

The table presented above puts side-by-side Business as Usual (BAU), SDG 8 and Degrowth in terms of their implications for economic growth, social well-being and equity, and environmental sustainability. The BAU approach shows that although economic development has a moderate and fairly high rate, social well-being and the environment are still compromised further pointing out the fact that the existing practices are unsustainable. Among all the goals, SDG 8 related to decent work and economic growth has the greatest positive effect on economic growth, but certain challenges are connected to negative social/environmental consequences which can be considered as signs of trade-offs. The Degrowth approach, on the other hand, focuses more on the social and environmental outcomes, where, but appreciable improvement has been seen in social and environmental domains, with leaving behind the economic domain by crossing a significant negative trend. This comparison explains as to why one has to reconcile with the fact that often economic growth is preferred though policies like Degrowth, sustainable and inclusive, will lead to socially and environmentally superior outcomes albeit at a slower rate of economic growth.

Pakistan Trade scenario

Export of Information and Communication Technology rose by 17 percent/1000. 4 percent, reaching US$2. 3 billion during July-March FY 2024, rising from US$1 billion that it posted in FY 2022 and 2023, he added. 9 billion, which they were in the same period last year. This growth is attributed to the enhanced permissible retention limit

[5] Salman, A., Choudhary, S.A. and Ali, B., 2023. Redefining Prosperity: Degrowth Economics in the Pakistani Context. *Pakistan Journal of Social Sciences*, *43*(4), pp.555-568.

of IT exporters from 35% of their export realized in foreign currency in exporters' specialized foreign currency accounts to 50%. Also, a new Framework for Freelancers has been developed to support the process of account opening and to enable higher degrees of retention of funds in foreign currency accounts[6].

Figure 1: Monthly Trade in Goods

Source: Pakistan Economics Survey, 2023-2024[7]

Figure 2: Monthly Trade in Services

Source: Pakistan Economics Survey, 2023-2024[8]

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[6] State Bank of Pakistan. Pakistan's import export scenario. Accessed on 15 august 2024

[7] Ministry of Finance, 2024. Pakistan Economic Survey, Trade and payment. https://www.finance.gov.pk/survey/chapter_24/8_trade%20and%20payments.pdf

[8] Ministry of Finance, 2024. Pakistan Economic Survey, Trade and payment. https://www.finance.gov.pk/survey/chapter_24/8_trade%20and%20payments.pdf

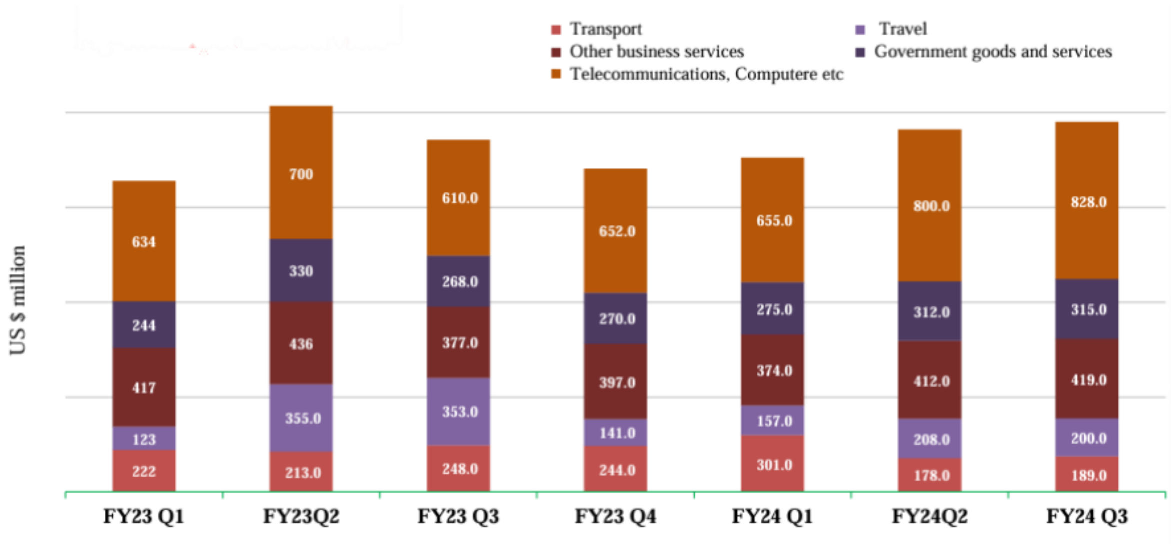

Figure 3: Export of Services

Source: Pakistan Economics Survey, 2023-2024[9]

The import of services increased 20 times more than the total of other and imported goods. In July-March of the FY 2024, Pakistan's exports will likely decline by 6 percent and reach $7. 5 billion to 6 billion US dollars for its capital expenditures and operating expenses for the stations. 2 billion of which 223 million were in the previous year. Transport services imports rose to 10 percent in the same year. 0 percent, totaling US$3. 4 billion during this period while the prevailing oil prices were estimated at US$3. 990 million in the other fiscal year and 1 billion the previous year. This is attributed to the increase in transport payments, where air passenger fares count for most of it. Also, the f-o-b export of travel services increased in the same year by 56 percent. consequently, 0 percent of grants were made to organisations required to pay in aid in US dollars with an average amount of US$1. 7 billion to one US dollar Further Complications Subsequently, the following complications have arisen: 1 billion last year which has seen merchandise imports go down, an increase in sea freight costs is attributed to higher shipping rates as a result of Red Sea attacks, costs incurred in insurance and rerouting costs.

Pakistan trade agreement by countries

Pakistan's major trading partners for exports in 2021 were the United States, China, Germany, United Kingdom and the Netherlands. As for the imports in the year 2022,

[9]Ministry of Finance, 2024. Pakistan Economic Survey, Trade and payment. https://www.finance.gov.pk/survey/chapter_24/8_trade%20and%20payments.pdf

Pakistan ‘s major trading partners included China, the United Arab Emirates, Saudi Arabia, Indonesia, Qatar, the United States, Kuwait, Japan, Thailand, and Brazil[10]. Pakistan also has trade agreements with other countries, including Pakistan also has trade agreements with other countries, including:

• Free trade agreements: The FTA partners of Pakistan include China, Malaysia and Sri Lanka[11].

• Preferential trade agreements: There are currently PTA’s in progress with Iran, Indonesia, Mauritius & Turkey, and Uzbekistan (2024).

• European Union: Pakistan’s exports to the EU are $ 2.8 billion of which more than 78% are eligible for GSP+. Similarly, about 80% of textiles and clothing originating from Pakistan are also imported to the EU at a preferential tariff rate[12].

Thus, the exports to seven regional countries of Pakistan have raised by 20. 61% during the period of July to April of FY 2023-24 against the implementation of the corresponding period of the last financial year.

Pakistan exports to the regional countries including Afghanistan, China, Bangladesh, Sri Lanka, India, Nepal and the Maldives stand at $3. 655 billion, indeed, 14 percent more than the previous year. A significant amount of Pakistan’s total exports, which stands at $25 has been exported in some way by 24 % of this quantity. 258 billion Dollars during the period of July to April (2023-24).

China is at the top of the list due to a growth of 37% in Pakistani exportation to the Chinese market. 68% to $2. 341 billion in 10 months this year from $1. 7 billion last year while exports to Afghanistan has decrease nominal by 0. 54% from $435. 954 million to $433. 567 million.

Own analysis also shows that exports from Pakistan to Bangladesh reduced by 15 percent. 82% to $542. 165 million this year from $644,261, a threefold increase to launch its Smartphone range that alters this picture dramatically. 104 While import from Sri Lanka increased by 104 percent in the same period whereas exports to Sri Lanka increased by 35 percent. 83% to $326. 995 million from $240. 732. The exports

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[10] Ministry of Finance, 2024. Pakistan Economic Survey, Trade and payment. https://www.finance.gov.pk/survey/chapter_24/8_trade%20and%20payments.pdf

[11] International Trade Administration, 2022. Pakistan - Country Commercial Guide. Available at: https://www.trade.gov/country-commercial-guides/pakistan-trade-agreements#:~:text=Pakistan%20has%20free%20trade%20agreements,Indonesia%2C%20Turkey%2C%20and%20Mauritius

[12] European Commission, 2023. EU trade relations with Pakistan. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/pakistan_en

rose to $1 by the time of Independence for India as compared to the rising exports to Australia during the period 1951-60. 376 million from $0. 250 million in the earlier financial year It was further stated that this amount has reduced to 200 million in the previous financial year. The exports to Nepal declined by 1. 38% to $2. 420 million from 2. ,454 million to reach affected nations while to others it increased only by 13 percent to Maldives. 90% to $7. 671 million from 6. 783 million, it added.

On the other hand, the imports from seven regional countries were recorded at $10.925. billion during the period under review as compared to $8. 617 billion during the last year, showing an increase of 26 per cent from the corresponding period of 2010. 77%. The imports from China for July – April 2023-24 were reported to be $10. 1800 or 648 billion as against the $8. 3 trillion during the period of July-April 2022-23 with an increase of 26 percent. 61% during the period.

The amounts imported from other countries are as follows; $68.3 million worth of vehicle components and parts from China $46.9 million in machinery products from Japan $45.7 million in textiles and garments from Vietnam and last but not least, $172 million in vehicle components and parts from India. 076 million while the imports were equal to $151. 987 million or by 13 percent. 61% however Import of goods from Afghanistan was reduced by 47%. 34 percent from $13. 959 million to $7. 350 million. While on the same period, Sri Lanka imported to Canada only $49. 055 million from $40. Imports from Bangladesh to Pakistan were $923 million whereas Pakistani imports to Bangladesh are $48. 040 million from $66. 216 million during the last year while the global Muslim population stood at 1.8 billion. The imports to this country from Nepal were lower by 61%. 71% from $0. 734 million to $0. 281 million[13].

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[13] Profit, 2024. Pakistan’s Export To seven regional countries. Available at: https://profit.pakistantoday.com.pk/2024/05/27/pakistans-exports-to-seven-regional-countries-increase-by-20-in-10mfy24/

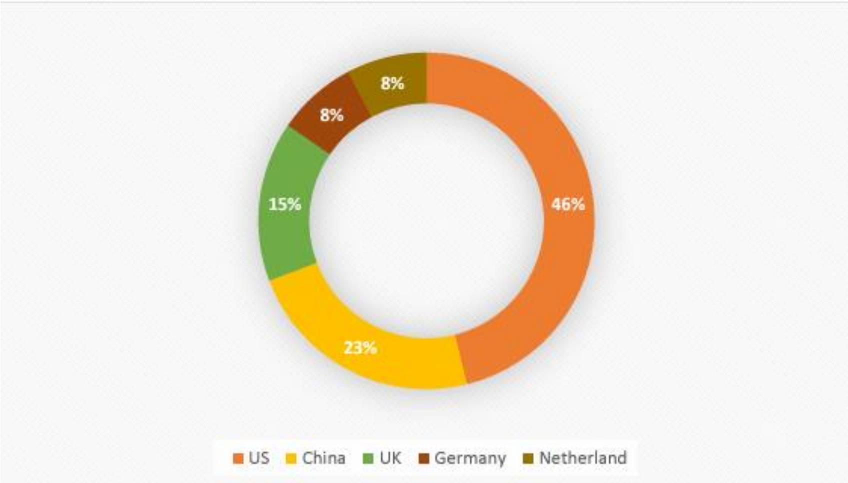

Figure 4: Major Trading Partners

Source: Salman, A & Ali, B, 2023[14]

Pakistan's recent FDI situation

According to the state bank, Pakistan's foreign direct investment (FDI) was estimated at $ 1. 9 billion in the fiscal year 2024, which is a 17% increase from the previous year. 9 billion in the fiscal year 2024, which is a 17% increase from the previous year[15]

• June 2024: $169 million, From June 2023 $122 million

• May 2024: $270. 9 million while the total expenditure only increased by $ 155.7 million[16]. In May 2023, its population will reach 7 million.

• April 2024: $358. 84 million, up from $ 131. 9 million in April 2023[17]

China has established itself as the biggest investor and trading partner of Pakistan investing $ 568Million in the last fiscal year. The second largest investor is Hong Kong investing $ 359 million in FDI. Some of the other countries who have invested in Pakistan are United States, Great Britain, and Singapore.

Pakistan has also come up with policies that allow particular sectors to be financially boosted through investment and has passed a law, which contains conditions such as tax incentives, investment arbitrators and the right to transfer the proceeds. The

[14] Salman, A & Ali, B, 2023. Diversifying Pakistan's Exports: Tapping into Untapped Markets. Available at: https://ipripak.org/wp-content/uploads/2024/01/Trade_Paper.pdf

[15] Arab News, 2024. Pakistan's foreign direct investment increased. Available at: https://www.arabnews.pk/node/2559251/business-economy#:~:text=The%20state%20media%20said%20that,$122%20million%20in%20June%202023

[16] Profit, 2024. Pakistan Attracts FDI. Available at: https://profit.pakistantoday.com.pk/2024/06/22/pakistan-attracts-1-73-billion-in-fdi-during-11mfy24/#:~:text=Pakistan%20attracted%20a%20total%20Foreign%20Direct%20Investment,from%20$358.8%20million%20reported%20in%20April%202024.

[17] SIFC, 2024. Investment Opportunities. Available at https://www.sifc.gov.pk/news/228

ombudsman has the jurisdiction of a civil court with an obligation to decide on the investors' complaints within 120 days in qualified investments. According to SECP, till April 2024, only one project Barrick Gold of Canada – Reko Diq mine qualifies to be an investment project[18].

Table 2: Foreign Investment in Pakistan-By Country

Countries	Jul-June 2024	Jul-June 2023
Australia	2.5	- 219.0
Austria	- 2.1	- 1.9
Bahrain	23.1	30.9
Belgium	0.1	0.0
Brunei	1.2	1.2
Canada	98.7	- 0.6
China	568.2	693.0
Denmark	4.8	4.8
Egypt	8.1	8.1
Finland	2.5	5.5
France	29.6	38.7
Germany	27.0	37.8
Hongkong	359.1	245.7
Hungary	11.1	25.5
Iran	0.3	0.3
Ireland	3.7	- 2.6
Italy	1.9	7.0
Japan	9.7	142.4
Korea (South)	39.1	41.5
Kuwait	15.8	18.2
Lebanon	23.0	22.8
Libya	- 0.7	- 0.7
Luxembourg	- 33.1	- 49.8
Malaysia	33.2	40.2
Malta	12.8	11.7
Netherlands	70.9	23.9
NewZealand	0.2	0.2
Norway	- 186.0	- 229.5
Oman	2.9	- 0.1
Panama	11.0	3.0
Philippines	-	0.5
Poland	1.3	1.3
Portugal	-	- 0.1
Qatar	2.3	1.6
Saudi Arabia	74.5	- 4.0
Singapore	90.1	34.4
Sri Lanka	0.1	0.1
Sweden	18.4	3.5
Switzerland	23.0	15.0
Thailand	- 0.2	0.2
Turkiye	11.1	15.3

[18] SIFC, 2024. Investment Climate Statement. Available athttps://www.state.gov/reports/2024-investment-climate-statements/pakistan/#:~:text=The%20law%20includes%20exemptions%20from,to%20investors%20in%20specific%20sectors.

U.A.E	97.6	96.0
United Kingdom	286.5	269.4
United States	184.0	209.1
Others	94.7	70.3
Total	**1,519.1**	**600.7**

Source: State Bank of Pakistan, 2024[19]

The table 1 shown below presents trade values between different countries and the respective entity for the year July-June 2023 and July-June 2024. Some of the other changes are Australia moving from a negative balance of -219. It has also shifted from a deficit of zero to a surplus of 2. 5, to China's reduction from 693. 0 to 568. 2. The corresponding standard recipe costs have also been found to have a relatively high increment in Hong Kong (245. 7 to 359. 1) and the Netherlands (23. 9 to 70. 9). All in all, the total trade value enlarged to 600. 7 in 2023: 1519. Hence standing at 1 in 2024 which shows a significant increase in the respective trade. And, it has been identified that China holds the highest trading value of 568. The government has projected its borrowings to reduce to 2 percent in 2024, from 693. 0 in 2023. On the other hand, Libya is the lowest in trade values, it is a negative value of - 0. 7 for both years. These values go further to showing that China was an important trader whilst Libya hardly participated in any trade activities. Other countries that have high trade numbers include the United States with a bilateral trade of 184. 0 and the United Kingdom with 286. 5 in 2024.

Table 3: Foreign Direct Investment in Pakistan-By Sector

Sectors	**July-June 2024**	**July-June 2023**
Food	47.2	96.3
Beverages	32.0	82.9
Tobacco & Cigarettes	49.1	49.1
Sugar	0.8	0.8
Textiles	2.4	14.0
Paper & Pulp	- 0.9	-
Leather & Leather Products	- 1.7	- 1.7
Rubber & Rubber Products	9.4	3.0

[19] SBP, 2024. FDI by Country. State bank of Pakistan. Accessed on 04 Aug 2024

Chemicals	19.7	44.7
Petroleum Refining	94.9	94.5
Mining & Quarrying	103.1	- 220.3
Oil & Gas Explorations	303.6	137.7
Pharmaceuticals & OTC Products	38.0	7.3
Cosmetics	- 0.5	6.1
Cement	30.9	30.9
Ceramics	4.0	1.7
Basic Metals	0.1	-
Metal Products	3.7	2.6
Machinery other than Electrical	0.3	1.4
Electrical Machinery	0.9	- 0.8
Electronics	48.1	- 21.5
Transport Equipment(Automobiles)	2.5	80.4
Power	799.9	898.5
Construction	15.2	24.7
Trade	68.0	72.6
Transport	- 12.8	- 13.1
Tourism	19.6	16.2
Storage Facilities	58.7	2.8
Communications	- 129.9	- 177.1
Financial Business	208.0	276.2
Social Services	4.0	5.1
Personal Services	23.9	60.7
Others	59.3	51.5
Total	**1,901.6**	**1,627.0**

Source: State Bank of Pakistan, 2024[20]

[20] SBP, 2024. FDI by Country. State bank of Pakistan. Accessed on 04 Aug 2024

The following table shows the trade values for different sectors during for the period of July-June 2023 and July-June 2024. The “Power” sector continues to be the largest of the sectors with a hint of it reducing in size. There was increased growth of companies under the “Oil & Gas Explorations” while those under the category “Food” and “Beverages” shrunk noticeably. In the “Mining & Quarrying” sector, grossing-over went up from negative figures to positive territory levels. There was apparent improvement in “Pharmaceuticals & OTC Products” and “Storage Facilities. ” Still, areas such as “Transport Equipment (Automobiles)” and the “Financial Business” deteriorated substantially. In total, total exports and imports value rose, which pointed at the overall growth of the trades.

The IFDA is an important framework to harmonize Pakistan’s trade structures and the country’s Sustainable Development Goals by improving the efficiency of the investment climate through better transparency and enabling bureaucratic reforms. Pakistan has a very large trade deficit along with a composition of exports and specially dominated by traditional products such as textiles and agricultural goods. However, recent endeavours aimed at diversification of exports into new fields namely information technology appear to be promising. The IFDA also assists these diversification endeavours of aligning the Attraction of FDI, it is fundamental for economic growth, employment opportunities, and trade performance enhancement. It has added that Pakistan has wider objectives in the developments including investment promotion for sustainable, responsible, and economic development, ending poverty, and changing the society with innovation. Through the easing of regulation and the promotion of ethical business conduct the IFDA aids in the closing of trade deficits and aids Pakistan in meeting its development goals in a fairer manner.

Pakistan SGD's status

As per the SDG index Pakistan stands at 137th out of 166 nations with an index score of 57. 02. Namibia still has a long way in attaining the sustainable development goals whereby; some of the challenging goals include No Poverty (SDG 1), Zero Hunger (SDG 2) and Quality Education (SDG 4). There is a gradual improvement of some targets which include Clean Water and Sanitation (SDG 6) and Affordable and Clean Energy (SDG 7) while effort to attain other goals in other sectors towards the year 2030 continues to be enhanced. But as a precautionary measure, its estimated spillover score is considerably high being 94 for the country. 99 shows how it has been supporting the sustainable development of the countries it operates in, apart from its

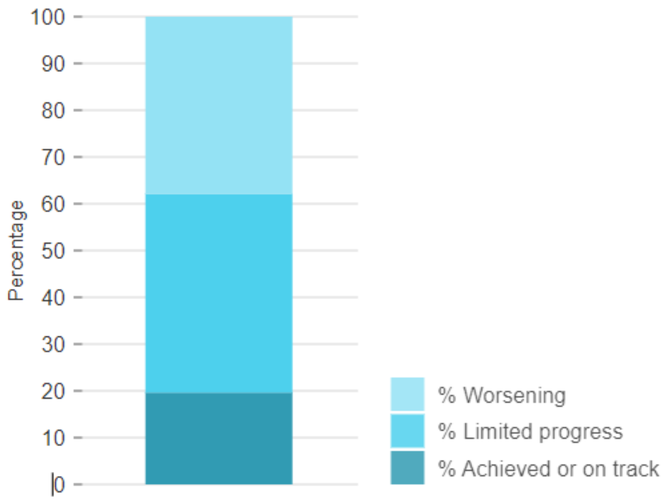

Figure 5: Status of SDG targets for Pakistan (% trend indicators)
Source: SDG report, Country Profile, 2024

own. Some of the measures it has taken in the pursuit of policies geared towards the realization of these goals include the following: Economic policies on the other hand focus on economic growth, social policies focus on social justice while environmental policies aim at conserving the Nation's environment. But to attain such objectives, there has to be increase in governance, infrastructure and social amenities. The records show that there are important issues that need to be tackled immediately and effective policy monitoring is a key factor in this case to guarantee that positive changes are afforded to the different groups of the population by development[21].

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[21] SDGs 2024. Pakistan East and South Asia Overview. Available at: https://dashboards.sdgindex.org/profiles/pakistan

Table 4: SDGs and Achievements for Pakistan

SDGs	Achievements
No Poverty	Significant challenges remain
	Score moderately improving, insufficient to attain the goal
Zero Hunger	Major challenges remain
	Score stagnating or increasing at less than 50% of the required rate
Good Health and Well-being	Major challenges remain
	Score stagnating or increasing at less than 50% of the required rate
Quality Education	Major challenges remain
	Score decreasing
Gender Equality	Major challenges remain
	Score stagnating or increasing at less than 50% of the required rate
Clean Water and Sanitation	Major challenges remain
	Score stagnating or increasing at less than 50% of the required rate
Affordable and Clean Energy	Significant challenges remain
	Score moderately improving, insufficient to attain the goal
Decent Work and Economic Growth	Major challenges remain
	Score stagnating or increasing at less than 50% of the required rate
Industry, Innovation, and Infrastructure	Major challenges remain
	Score moderately improving, insufficient to attain the goal
Reduced Inequality	Challenges remain
Sustainable Cities and Communities	Major challenges remain
	Score decreasing
	Challenges remain

Responsible Consumption and Production	Score stagnating or increasing at less than 50% of the required rate
Climate Action	SDG achieved
	Score stagnating or increasing at less than 50% of the required rate
Life Below Water	Major challenges remain
	Score moderately improving, insufficient to attain the goal
Life on Land	Major challenges remain
	Score stagnating or increasing at less than 50% of the required rate
Peace, Justice, and Strong Institutions	Major challenges remain
	Score decreasing
Partnerships for the Goals	Major challenges remain
	Score moderately improving, insufficient to attain the goal

Source: Sustainable Development Report, Pakistan, 2024[22]

Impact of IFDA on Pakistan

IFDA has the capacity to give new horizon to Pakistan as it can improve its investment environment and FDI. The agreement almost 130 WTO Members so it is to have more transparent and efficient investment environment which in turn can help in sustainable economic growth and development in Pakistan. Thus, the Investment Facilitation for Development Agreement (IFDA) has certain importance for Pakistan, which is directly directed at improving the investment climate in the country through the rationalization of the applicable legislation and increasing transparency. Through this agreement, there are prospect expectations of FDI inflows which will be of importance in enhancing growth and employment. Thus, The IFDA supports Pakistan's efforts in enhancing corporate governance and establishing policies against corruption to

[22] SDGs 2024. Pakistan East and South Asia Indicators. Available at: https://dashboards.sdgindex.org/profiles/pakistan/indicators

improve the country's business climate and support investment in Micro, Small, and Medium-Sized Enterprises (MSMEs).

Administrative efficiency is one of the goals of the IFDA allowing Pakistan to reduce the burden of the redundant paperwork, which in turn creates a favourable image of the country to foreign investors. This can also be followed by higher FDI which is necessary for the growth of the economy and thereby generation of employment[23]. Through the implementation of this agreement, uncertainties are minimized in every investment measure hence making it secure for investors to carry out business[24]. This can improve the business climate for investment in foreign and domestic companies. It can be seen from the above-discussed provisions of the IFDA that developing countries; Pakistan particularly can avail technical assistance and capacity-building provisions of the IFDA. Such support may assist Pakistan in making appropriate reforms and developing the foundation that will enable such changes to be supported in the future[25].

The IFDA deals with responsibilities for business and anti-corruption which in turn improves investment in MSMEs. Such a focus on MSMEs can then unlock increased economic gains by encouraging entrepreneurial activities and innovation (IFDA and Pakistan). Consequently, the agreement is concerned with ensuring sustainable development through promoting investments that will help spur economic growth, reduce poverty levels and enhance technology transfer. This is in line with Pakistan's bid to realise the United Nations 2030 Sustainable Development Goals.

The provisions that can be implemented by the IFDA may involve a dramatic shift in Pakistan's legal structure. This can be quite difficult and hence time-consuming and costly in terms of major changes in many policies and administrative structures. It may degrade the quality of the IFDA implementation in Pakistan since developing the infrastructure and administration required to meet IFDA standards may put severe financial and organizational pressure on the country. This could actually open people's

[23] Yeutter Institute of International Trade and Finance. (2024). Investment Facilitation for Development Agreement: Potential Gains. Retrieved from Yeutter Institute.
[24] World Economic Forum. (2024). Investment facilitation's trillion-dollar promise. Retrieved from World Economic Forum.
[25] International Institute for Sustainable Development (IISD). (2024). Investment Facilitation for Development Agreement: A reader's guide. Retrieved from IISD.

attention and resources away from other important issues unlike this case. Evaluating Pakistan's relations with the USA through the lens of this model has had a positive outcome: it is possible to claim that whilst strong external technical assistance and capacity-building support create a risk of implications that might compromise Pakistan's policy autonomy, the positive contributions outweigh the negative ones. This dependence may also mean also that the country will not be able to sustain reforms on its or her own in the long run. As we seen that the IFDA can lead to FDI inflows into Pakistan but it cannot mean that it will be advantage for every sectors and every region of the country. It may prove difficult to guarantee that the benefits of stepped-up investment are extended to the marginalised and the less developed regions. Emphasizing FDI inflows predominantly can cause problems such as a lack of interest in domestic investment opportunities. This is a problematic area as there needs to be complementary measures put in place to attract FDI while at the same time nurturing indigenous investors.

The IFDA has enormous potential for Pakistan to improve its investment environment that in turn can help to attract more FDI to support the country's growth and development. However, the country has to pay attention to corresponding implementation issues and endeavour to share the advantages derived from the agreement as much as possible to avoid the negative impacts prompted by the challenges.

Conclusion and Recommendation

The Investment Facilitation for Development Agreement (IFDA) spells out several potential opportunities for Pakistan in terms of development of its investment environment and FDI. This type of treaty was signed by nearly 130 WTO Members and its main goals include the reduction of bureaucratic drains, an increase in transparency, as well as encouragement of sound business practices. These measures can help to create a favourable environment for FDI that can be instrumental in supporting countries' economic growth, generating jobs and promoting sustainable development. The IFDA also complements the government of Pakistan's efforts to enhance its business climate and generate benefits for micro, small, and medium enterprises, or MSMEs sector with additional positive ripple effects for the country's overall economic development trajectory and the United Nations' 2030 Agenda for Sustainable Development.

However, as with most major policy initiatives, the practical application of the IFDA presents several challenges that have to be well managed. Regulating is one thing, and the necessary infrastructure and the administrative capacity needed to implement the regulations may overstretch Pakistan's capabilities. Further, the use of technical help from other nations might reduce policy independence and increased FDI may not necessarily apply to all industries or geographical area. To provide thorough and fair economic development policy for attracting foreign investments as well as supporting domestic companies should be established.

Challenges

- Federal nature of governance. Federal and Provincial subjects and nature of governance at federal, provincial and municipal levels. Alignment of laws
- Capacity Issues of our Public Officials for implementation of agreements of WTO at the federal, provincial and municipal level
- Pakistan has many Bilateral Investment Treaties (BITs). Those would conflict with IDFA

Policy Recommendations

- To adapt to IFDA regulations, Pakistan may undertake regulatory adjustments at the National level, especially in transparency and minimising the bureaucratic system. Such changes require infrastructure development to create an appropriate business environment.
- Pakistan may improve its institutional capacity to function and maintain the changes within the framework of the agreement to connect with the provisions of the IFDA. This includes training government officials and enhancing cooperation between the different governmental bodies.
- Along with the attraction of foreign investment, government policies may facilitate local investments. Local people can support local entrepreneurs, which will also be reciprocated, with a balanced steady development.
- Establishing an online one-stop centre for the consideration of investments will greatly increase the efficiency and transparency in getting acquainted with the requirements of the legislation.

- Too many laws are still in existence and it is time that they are revised and updated as per the international laws and norms. This is done by improving the issue of property rights, contractual rights, and the bureaucratic structures that govern disputes that investors are likely to face.
- An arrangement through which the government seeks support from the private sector in infrastructure development due to the ability of the private sector to mobilise resources in the provision of infrastructure. There is substantial evidence that PPPs can actively contribute towards enhancement of the essential and strategic infrastructure which is vital for investment creation and sustenance.
- Select strategic fields for development and offer stimuli to encourage investments in chosen branches. Investment incentives may incorporate tax incentives and subventions as well as procedural relief for competitive segments like technology and renewable energy systems and manufacturing.

- Strengthen the capacity of existing investment promotion agencies to effectively market Pakistan as an attractive investment destination. These agencies may focus on active outreach, investor facilitation, and aftercare services to retain and expand existing investments.
- Invest in capacity-building programs for government officials to improve their understanding and implementation of investment facilitation measures. Training programs should focus on best practices in investment promotion and regulatory reforms.
- Improve access to finance for MSMEs by developing financial instruments and support mechanisms that cater to their specific needs. This can include microfinance, venture capital, and guarantee schemes to help MSMEs grow and integrate into global value chains

Action Matix

Action Area	Pathways to Solution	How to Implement Each Solution	Actor Responsible	Timelines
Adapt to IFDA regulations with national regulatory adjustments.	Undertake regulatory adjustments at the national level to enhance transparency and minimise bureaucracy.	Amend relevant laws and regulations; simplify approval processes.	Government Ministries, Regulatory Bodies	1-3 years
Improve institutional capacity to align with IFDA provisions.	Train government officials and enhance cooperation between governmental bodies.	Develop tailored training programs and improve inter-agency communication.	Government Institutions, Training Agencies	1-2 years
Facilitate local investments along with foreign investment attraction.	Support local entrepreneurs and balance local and foreign investment opportunities.	Introduce supportive policies for local businesses and foster community investment.	Government, Local Investment Bodies	3-5 years
Establish an online one-stop centre for investment facilitation.	Create an online platform to streamline investment processes and improve transparency.	Build and maintain an efficient, user-friendly online portal for investors.	Ministry of Commerce, IT Departments	1-2 years
Revise and update outdated laws to align	Improve property rights, contractual rights, and bureaucratic structures.	Identify outdated laws, draft new regulations, and ensure proper enforcement.	Legal Reform Committees, Ministry of Law	2-4 years

with international norms.				
Leverage PPPs for infrastructure development.	Engage private sector resources for strategic infrastructure through PPPs.	Establish PPP frameworks and incentivize private investment in infrastructure.	Public-Private Partnership Units	3-5 years
Select strategic fields and offer investment incentives.	Offer tax incentives, subventions, and procedural relief for competitive segments.	Design specific incentives targeted at technology, renewables, and manufacturing.	Ministries of Finance and Industry	2-4 years
Strengthen investment promotion agencies' capacity.	Focus on active outreach, investor facilitation, and aftercare services.	Increase funding and capacity-building efforts for investment promotion agencies.	Investment Promotion Agencies	1-3 years
Invest in capacity-building programs for government officials.	Develop training programs on best practices in investment promotion and regulatory reforms.	Conduct regular workshops and provide resources for ongoing education.	Training Institutions, Government Agencies	1-2 years
Improve access to finance for MSMEs.	Develop financial instruments like microfinance, venture capital, and guarantee schemes.	Create specific financial products and support services tailored for MSMEs.	Financial Institutions, Government Bodies	2-4 years

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